

# **TOC Property Backed Lending Trust plc**

## **Audit Committee**

### **Terms of Reference**

#### **Constitution**

The Board has established a Committee of the Board to be known as the Audit Committee.

#### **Membership**

The Audit Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company. It shall consist of not less than three members. The Committee as a whole should have competence relevant to the sector in which the Company operates. At least one member of the Audit Committee shall have recent and relevant financial experience while the other members shall have appropriate financial expertise and the committee as a whole shall have competence relevant to the sector in which the Company operates.

The members of the committee shall be appointed by the Board. The Chairman of the committee should be different from the Chairman of the Company.

#### **Quorum**

The quorum necessary for the transaction of business shall be two members.

#### **Meetings**

The Audit Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

The Audit Committee shall have the opportunity to meet the auditors, without management being present. Other Board members shall have the right of attendance. The auditors may request a meeting if they consider that one is necessary.

Outside of the formal meeting programme, the committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Investment Manager and the external audit lead partner.

The Company Secretary shall be appointed as Secretary of the Committee.

Meetings of the committee shall be called by the Secretary of the committee at the request of the committee chair or any of its members, or at the request of the external audit lead partner if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

#### **Minutes of Meetings**

The Secretary shall minute the proceeding and decisions of all committee meetings, including recording the names of those present and in attendance.

Draft minutes of committee meetings shall be circulated to all members of the committee.

### **Authority**

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Audit Committee is authorised to obtain independent professional advice where necessary.

### **Engagement with shareholders**

The committee Chair should attend the annual general meeting to answer any shareholder questions on the committee's activities. In addition, the committee Chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

### **Duties**

The duties of the Audit Committee are:

#### ***Financial reporting***

To monitor the integrity of the annual and interim financial statements before submission to the Board, and any formal announcements relating to the Company's financial performance and review significant financial reporting judgements contained in them.

The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.

Where the committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

#### ***Narrative reporting***

Where requested by the Board, the committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

#### ***Internal controls and risk management systems***

The committee shall:

- i) keep under review the company's internal financial controls systems that identify, assess, manage and monitor financial risk, and other internal control and risk management systems; and
- ii) review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

## ***Compliance, speaking up and fraud***

The committee shall:

- i) review the adequacy and security of the arrangements in place at the Company's primary service providers for their employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matter. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and follow up action;
- ii) review the Company's and its primary service provide providers procedures for detecting fraud;
- iii) review the Company's and its primary service providers systems and controls for the prevention of bribery and receive reports on non-compliance; and
- iv) review regular reports from the Company's primary service providers on their systems of internal controls.

## ***Internal audit***

The committee shall review annually the need for an internal audit function.

## ***External audit***

The committee shall:

- i) consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- ii) develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable corporate governance and regulatory requirement, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- iii) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- iv) oversee the relationship with the external auditor. In this context the committee shall:
  - approve their remuneration, including both fees for audit and non-audit services, and ensure that the level if fees is appropriate to enable an effective and high-quality audit to be conducted;
  - approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- v) assess annually the external auditor's independence and objectivity, taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the Company's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services:
- vi) satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- vii) monitor the level of fees paid by the Company to the external auditor
- viii) assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- ix) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee,
- x) develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by

the committee and specifying the types of non-audit service to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements..

- xi) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit; and
- xii) review any representation letter(s) requested by the external review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

### ***Reporting responsibilities***

The committee Chair shall report formally to the board on how it has discharged its responsibilities.

The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

The committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the audit committee, including:

- i) the significant issues that the committee considered in relation to the financial statements and how these issues were addressed;
- ii) an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
- iii) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Corporate Governance Code.

In compiling the reports referred to above the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

### ***Other matters***

The committee shall

- i) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required;
- ii) Be provided with appropriate and timely training
- iii) Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- iv) Oversee any investigation of activities which are within its terms of reference.
- v) Ensure that a periodic evaluation of the committee's performance is carried out.

- vi) At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.
- vii) Review the internal control reports from third party service providers.
- vii) To consider other topics, as defined by the Board.

### **Authority**

The committee is authorised to:

- i) Seek any information it requires from any employee of Tier One Capital/Maitland in order to perform its duties.
- ii) Obtain, at the company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so.
- iii) Call any employee of Tier One Capital/Maitland to be questioned at a meeting of the committee as and when required.
- iv) Have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the committee and the Board. If the Board has not accepted the committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the committee's recommendation and the reasons why the Board has taken a different position.

Approved: 23 February 2021